

## Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ISO-00 SSO-00 CCO-00 INRE-00 NSCE-00

AID-20 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 RSC-01

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O 260500Z SEP 73

FM AMEMBASSY NAIROBI

TO DEPARTMENT OF THE TREASURY IMMEDIATE

INFO SECSTATE WASHDC IMMEDIATE 3724

USINFO WASHDC IMMEDIATE

UNCLAS SECTION 1 OF 4 NAIROBI 6498

SHUTO 14

TREASURY FOR ALAN WADE

DEPT. PASS ALL DIPLOMATIC AND CONSULAR POSTS

E.O. 11652: N/A

TAGS: OVIP (SHULTZ, GEORGE)

SUBJECT: SEPTEMBER 24 PRESS BRIEFING BY SECRETARY SHULTZ

THERE FOLLOWS THE TRANSCRIPT OF A PRESS CONFERENCE BY SECRETARY SHULTZ

AT THE KENYATTA CONFERENCE CENTER, NAIROBI, SEPTEMBER 24, 1973, WHICH  
WAS EMBARGOED UNTIL DELIVERY OF HIS SPEECH, SEPTEMBER 25.

QUESTION: ON THE SUBJECT OF APPROPRIATIONS, MR. MCNAMARA

THIS MORNING SPOKE ABOUT THE FOURTH IDA REPLENISH-

MENT, AND THE TIMETABLE FOR THE REPLENISHMENT

PROGRAMME - AS A MATTER OF FACT, HE SAID IT MIGHT

NOT BE COMPLETE BEFORE JULY NEXT YEAR, WHICH WILL

MEAN THE COMPLETE STOPPAGE OF THE ACTIVITIES OF

THE (INAUDIBLE) AND THE FAILURE OF THE WORLD BANK.

WHY PRECISELY, HAS THE US GOVERNMENT TAKEN THE

DECISION FOR REDUCING IDA REPLENISHMENT FROM 40 PERCENT

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TO ONE THIRD, AND ASKING OTHER COUNTRIES LIKE

GERMANY AND JAPAN TO CONTRIBUTE MORE, AND WHY HAS

THE DECISION BEEN DELAYED, ESPECIALLY WHEN IT

MEANS A COMPLETE STOPPAGE OF (INAUDIBLE) VARIOUS

ACTIVITIES?

ANSWER: MR. MCNAMARA HAS IDENTIFIED A PROBLEM THAT IS AN IMPORTANT AND DIFFICULT PROBLEM - WE AGREE IT IS A PROBLEM - WE WANT TO SEE IT RESOLVED IF WE POSSIBLY CAN, AND THE WAY TO RESOLVE PROBLEMS IS FIRST TO IDENTIFY THEM. THE PROBLEM RESULTS FROM THE FLOW OF DECISION MAKING PROCESSES AS THEY NORMALLY OCCUR. IN THE CASE OF IDA, THE NEED IS FOR AN ABILITY TO MAKE COMMITMENTS FOR NEW FUNDS BEGINNING ON JULY 1ST - FOR THEN THEY RUN OUT OF AUTHORITY TO COMMIT. FROM THE STANDPOINT OF THE VARIOUS GOVERNMENTS, WE PRESUME IN THE NEXT ROOM, THEY ARE FINALLY WORKING OUT THE DETAILS OF THE FOURTH REPLENISHMENT AGREEMENT. ASSUMING THAT THIS IS DONE, THEN AT LEAST FROM THE STANDPOINT OF THE US, AND I WON'T ATTEMPT TO SPEAK FOR ANY OTHER COUNTRY, OF COURSE, BUT FROM THE STANDPOINT OF THE US, WE HAVE TO GO THROUGH TWO PROCESSES. FIRST OF COURSE, THE PRESIDENT PROPOSES TO THE CONGRESS WHAT WE WILL DO - THAT IS IN THE SPEECH - AND WE WILL PROPOSE TO THE CONGRESS THAT THE US CONTRIBUTE A THIRD OF THIS REPLENISHMENT. THEN THE CONGRESS HAS TO ACT, AND IT HAS TO ACT IN TWO SENSES - FIRST IT HAS TO AUTHORISE THE EXTENSION OF THIS CREDIT AND THAT GOES THROUGH A CERTAIN SET OF COMMITTEES AND IS VOTED ON BY THE CONGRESS. ONCE THERE IS AUTHORISING LEGISLATION, THE APPROPRIATING COMMITTEES TAKE IT UP IN THE CONTEXT OF A PARTICULAR BUDGET YEAR, AND UNTIL THEY HAVE LITERALLY APPROPRIATED THE MONEY, WE CAN'T BE SURE THEY WILL. SO THERE IS A STRUCTURAL PROBLEM IN THE WAY THESE PROCESSES UNFOLD. NOW, WE EXPECT TO SEND THIS LEGISLATION TO THE CONGRESS PROMPTLY AFTER THIS MEETING - IT COULDN'T BE SENT UNTIL AN AGREEMENT WAS FINALLY REACHED HERE. WE HOPE THAT THE AUTHORISING LEGISLATION CAN BE COMPLETED SOME TIME NEXT YEAR, PRIOR TO JUNE 30TH. HOW THIS UNCLASSIFIED

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APPROPRIATING PROBLEM CAN BE HANDLED IS A REAL PROBLEM AND THIS IS WHAT WE HAVE TO WORK ON. WE HAVE BEEN AS FORTHCOMING AND DECISIVE AS WE CAN BE AND AT THE SAME TIME, DESCRIPTIVE OF OUR PROCESSES. IT MAY BE THAT THERE ARE SPECIAL MEASURES THAT CAN BE TAKEN BY IDA - MR. MCNAMARA HAS SPOKEN ABOUT SOME OF THEM AND WE WILL TRY TO WORK WITH OUR CONGRESS TO SEE WHAT DECISION THE CONGRESS WILL MAKE. IT IS NOTED IN THE SPEECH THAT THERE ARE QUITE A GROUP - I THINK THERE ARE 24 MEMBERS - OF CONGRESS HERE AT THIS MEETING. THEY STOPPED IN DAKAR, SENEGAL, AND INSPECTED A PROJECT OR TWO, SO THEY ARE INTERESTED - THEY WANT TO FIND

CONSTRUCTIVE ANSWERS - BUT THEY ARE AN INDEPENDENT BRANCH OF OUR GOVERNMENT AND THEY WILL SPEAK FOR THEMSELVES - THAT IS THE NATURE OF OUR CONSTITUTIONAL PROCESS.

REMARK: I JUST WANT TO CLARIFY THE USE OF THIS WORD "AGREEMENT" AND WHAT IS GOING ON IN THE NEXT ROOM. WHAT WE ARE LOOKING FOR IS AN AGREEMENT TO SUBMIT PROPOSALS TO LEGISLATURES AND GOVERNMENTS - AT LEAST, OUR GOVERNMENT CANNOT BE COMMITTED UNTIL THE LEGISLATURE HAS ACTED. IT IS AN AGREEMENT TO SUBMIT TO THE LEGISLATURE.

QUESTION: ON WHAT PRINCIPLE CAN THE GOVERNMENT ACT IF THIS IS A THREE YEAR PROPOSITION WHEN THEIR ALLOCATION IS FOR A PARTICULAR YEAR?

ANSWER: THAT IS CORRECT. THAT IS A GREAT PROBLEM AND AND A HARD ONE TO RESOLVE. I THINK THAT THE APPROPRIATION COMMITTEES, AT LEAST IN THE PAST, HAVE SAID THAT ONCE THEY HAVE APPROPRIATED AN INSTALMENT, THAT MORE OR LESS ENSURES THAT THEY WILL APPROPRIATE THE ADDITIONAL INSTALMENTS, ALTHOUGH THEY CANNOT ABSOLUTELY GUARANTEE WHAT A FUTURE CONGRESS, WHICH OVER A THREE YEAR SPAN, WILL HAVE SOME PEOPLE DROP OUT AND SOME PEOPLE ELECTED, WILL DO. THIS IS THE NATURE OF OUR SYSTEM AND WITH VARIOUS COMMITMENTS IS A CONSTANT PROBLEM WHICH OF COURSE AFFECTS PROJECTS WITHIN THE US. SCHOOL DISTRICTS WITHIN THE US WANT TO KNOW WHAT THEY CAN COUNT AND WE CAN'T TELL THEM

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ANY MORE THAN WE CAN TELL OUR FRIENDS ABROAD WHAT THEY CAN COUNT ON BECAUSE THAT WOULD USURP THE PREROGATIVE OF A FUTURE CONGRESS.

QUESTION: ON PAGE 3, YOU SAY "WE ALL SEEK A SUBSTANTIAL STRENGTHENING OF THE PROCESSES OF INTERNATIONAL ADJUSTMENT THROUGH A BLENDING OF OBJECTIVE CRITERIA AND INTERNATIONAL JUDGEMENT" ETC. TO WHAT EXTENT DOES THAT REPRESENT A COMPROMISE OF OR A WITHDRAWAL FROM YOUR ORIGINAL PROPOSAL AT THE IMF MEETING LAST SEPTEMBER IN WASHINGTON?

ANSWER: IT REPRESENTS AN EFFORT TO STATE A MATTER OF SOME DELICACY IN THE DISCUSSION, IN AN EVEN-HANDED MANNER, AND I RECOGNISE THAT BOTH THESE FACTORS ARE INVOLVED. THROUGH THE PROCESS OF DISCUSSION, NEW THINGS HAVE COME UP, NEW IDEAS FOR PRESSURES HAVE EMERGED, SUCH AS THE NEGATIVE INTEREST RATE IDEA, AND WHAT WE HAVE SOUGHT OF COURSE, IN OUR ORIGINAL PLAN, AND WHAT WE STILL SEEK IN OUR ADJUSTMENT PROCESS, IS BACKBONE, AND BACKBONE COMES THROUGH AN ASSESSMENT PROCESS AND THROUGH THE APPLICATION OF PRESSURES. WHAT THIS HAS LED TO IS A CERTAIN AMBIGUITY ABOUT WHEN YOU HAVE A

PRESUMPTION AND WHEN YOU HAVE AN INDICATION THAT THERE IS GOING TO BE AN ASSESSMENT. I WOULD SAY ON THE WHOLE, THAT THAT ISSUE IS NOT RESOLVED, BUT I BELIEVE THAT AS WE WORK ALONG AND GET FURTHER IN OTHER SUBJECTS CONNECTED WITH THIS EXERCISE, WE CAN, ON THE BASIS OF FURTHER WORK BY THE DEPUTIES WHICH IS GOING FORWARD, CAN COME BACK TO THE ISSUE AND MY JUDGEMENT IS THAT THIS IS SOMETHING WE CAN RESOLVE.

NOTE BY OC/T: NOT PASSED ALL DIPLOMATIC AND CONSULAR POSTS.

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EA-11 EUR-25 NEA-10 /256 W  
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O 260500Z SEP 73  
FM AMEMBASSY NAIROBI  
TO DEPARTMENT OF THE TREASURY IMMEDIATE  
INFO SECSTATE WASHDC IMMEDIATE 3725  
USINFO WASHDC IMMEDIATE

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SHUTO 14

QUESTION: C.20 DOCUMENT USES THE PHRASE "IT IS AGREED IN REFERENCE TO THIS AND MANY OTHER POINTS". DOES THAT ACCURATELY REFLECT THE US POSITION.  
ANSWER: LET ME DESCRIBE THE PROCESS THAT WAS GONE THROUGH. IN JULY, WE HAD A MEETING IN WASHINGTON - ON THE BASIS OF THAT MEETING, A DOCUMENT WAS DRAWN UP. WE WERE NOT ALTOGETHER SATISFIED WITH THE DOCUMENT, BUT ON THE WHOLE WE FELT IT WAS A FAIR REFLECTION OF THE WASHINGTON MEETING. I THINK IT IS A FAIR STATEMENT THAT PARTICULARLY ON THE FIRST DAY IN PARIS, EUROPEANS PARTICULARLY SAID THEY DID NOT THINK SO, SO THERE WERE CHANGES MADE AND WE NOW HAVE ANEW DOCUMENT WHICH HAS EMERGED FROM THAT, WHICH IS MR. MORSE'S DOCUMENT. THE LANGUAGE

USED WAS THAT THE MINISTERS TAKE NOTE OF THAT  
DOCUMENT. WE FELT ON THE BASIS OF THAT, IT  
WAS NOT NECESSARY FOR US TO GO THROUGH - AND I  
THINK THAT OTHERS FELT THE SAME WAY - AND ARGUE  
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ABOUT THIS DOCUMENT WORD BY WORD - THIS WAS  
MR. MORSE'S INTERPRETATION. THERE ARE SOME THINGS  
IN IT WE DON'T THINK HE INTERPRETED QUITE RIGHT,  
BUT WE DON'T THINK IT IS USEFUL AT THIS POINT, TO  
CONTINUALLY GO OVER THE SAME GROUND, PARTICULARLY  
IN THE ADJUSTMENT AND CONVERTIBILITY AREAS, BECAUSE  
AS I SAID A MOMENT AGO, THEY ARE IN A STATE WHERE  
WITH SOME ADDITIONAL WORK ON THE OPERATIONAL  
MEANING OF VARIOUS THINGS WHICH WE ARE ALL SEEKING  
A DEEPER UNDERSTANDING OF, THEY ARE IN SUCH A  
SHAPE, THAT WITH AGREEMENT AND GOOD WORK IN OTHER  
AREAS, WE CAN COME BACK TO THEM, AND WE CAN RESOLVE  
THOSE ISSUES - IT IS BETTER JUST AT THIS POINT  
NOT TO ARGUE OVER THEM EXCESSIVELY. I'LL PUT  
IT ANOTHER WAY - IN A SENSE, IN PARIS, WHAT WE  
SAID WAS, ASSESSMENT CAN BE CONSULTATIVE IF  
PRESSURES ARE ON THE BASIS OF PRESUMPTION. SO  
WHAT EMERGES IN THIS DOCUMENT IS THAT IT IS AGREED  
THAT ASSESSMENT IS CONSULTATIVE, BUT NOT AGREED  
THAT PRESSURES ARE PRESUMPTIVE - SO WE SAID  
"THERE'S NO DEAL THERE". BUT THAT IS NORMAL  
IN THE PROCESS OF WRITING UP MEETINGS AND TRYING  
TO PUSH THINGS TO AN AGREEMENT - WE DON'T MIND  
THAT, BUT WE'RE NOT ON ANY HOOKS. HOWEVER,  
WE DO HAVE THE FEELING, AS I'VE TRIED TO EXPRESS  
HERE, THAT AGREEMENT CAN BE REACHED IN THESE AREAS  
AND THERE'S NO POINT IN ARGUING OVER LITTLE POINTS.  
QUESTION: REFERRING TO PAGE 6 OF THE RELEASE, AND REGARDING  
THE IMPROVED POSITION OF THE US BALANCE OF TRADE -  
AND ASSUMING THAT IT CONTINUES TO IMPROVE AND REMAINS  
IN BALANCE AND THAT THE BALANCE OF PAYMENTS DISAPPEAR,  
MY QUESTION IS - WHAT IS TO BECOME OF THE PRESENTLY  
OUTSTANDING 50 BILLION " OF US DEBT, BECAUSE I  
FIND THIS VERY VAGUE. IT IS DEALT WITH IN THE  
REPORT IN THE GROUP OF TWENTY, BUT I CAN'T UNDERSTAND  
WHAT IT'S SAYING. CAN YOU GIVE US ANY IDEA IF  
THERE IS ANY SOLUTION AT ALL TO THIS PROBLEM.  
ANSWER: THERE ARE VARIOUS POSSIBLE SOLUTIONS PROPOSED AND  
THAT IS AN IMPORTANT SUBJECT THAT HAS NOT BEEN  
GONE INTO IN DETAIL, OTHER THAN PEOPLE SAYING THAT  
THEY RECOGNISE THAT IT IS AN IMPORTANT PROBLEM.  
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I WOULD SAY THAT THE ANSWER WILL EVOLVE ALONG TWO

LINES - FIRST, ASSUMING AS YOU JUST SAID, WHICH WE BELIEVE WILL BE TRUE (BUT IT ALWAYS REMAINS TO BE SEEN) THAT THE US BALANCE OF TRADE AND BALANCE OF PAYMENTS POSITION IMPROVES AND COMES INTO SURPLUS AND IS SUSTAINED THERE, THAT IN THE FIRST PLACE, THERE WILL BE A RETURN OF SOME OF THOSE DOLLARS TO THE UNITED STATES, PARTICULARLY IF WE CAN FIGURE OUT HOW TO ACCOMPANY THAT SITUATION WITH THE REMOVAL OF CERTAIN ACTIONS THAT WE HAVE ON THE BOOKS THAT MIGHT TEND TO INHIBIT THAT SOMEWHAT. SO THE NUMBER WOULD BE REDUCED BY THAT PROCESS IN THE FIRST INSTANCE - HOW MUCH IT WOULD BE REDUCED, I DON'T KNOW. THEN, SECOND, THERE ARE QUESTIONS OF WHETHER OR NOT THE CONSOLIDATION, IF ONE TAKES PLACE, AND FUNDING, SHOULD BE ON A SORT OF MULTILATERAL BASIS AND INVOLVE THE IMF DIRECTLY, OR WHETHER OR NOT IT SHOULD BE BI-LATERAL, THAT IS, EACH COUNTRY THAT HAS A PIECE OF THIS ACTION WORKS WITH THE US AND WE WORK OUT OUR ARRANGEMENTS WITH THEM ONE BY ONE - THAT'S A POSSIBLE THING.

QUESTION: WOULD THAT MEAN THAT THEY WOULD HOLD BACK MUCH MONEY - IS THAT WHAT YOU'RE SAYING?

ANSWER: THERE ARE MANY COUNTRIES THAT THINK THAT HOLDING DOLLARS, WHICH IS BY WAY OF SAYING HOLDING US GOVERNMENT SECURITIES AT HIGH RATES OF INTEREST, IS A PRETTY GOOD IDEA, AND WHO THINK THAT THE DOLLAR WILL IMPROVE IN VALUE. SO WHEN YOU COMBINE THE HIGH RATE OF INTEREST WITH THE PROSPECTS FOR THE DOLLAR, THEY ARE NOT SO SURE THEY WANT TO GET RID OF IT - SO THERE IS THAT SENTIMENT AROUND. BUT HOW THIS WILL ALL INTERPLAY REMAINS TO BE SEEN, AND OF COURSE TO THE EXTENT THAT THE IMF COMES INTO IT, THEN THE STRUCTURE OF THE SDR BECOMES AND IMPORTANTLY RELATED ISSUE, JUST AS THE STRUCTURE OF THE SDR AND ITS CHARACTER IS A VERY IMPORTANT RELATED ISSUE TO THE WHOLE SUBJECT OF CONVERTIBILITY. SO, IN A SENSE, ALL THESE THINGS WIND UP LINKING THEMSELVES TOGETHER, UNCLASSIFIED

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WHICH IS A POINT I TRIED TO MAKE IN THE TALK.

QUESTION: IS THERE ANYTHING WE CAN SAY SPECIFICALLY, HAS BEEN ADVANCED SINCE JULY IN WASHINGTON. CAN WE SAY THAT THE US HAS DROPPED THE IDEA OF AUTOMATICITY AND IS NOW READY FOR ASSESSMENT ALONG THE LINES THE EUROPEANS WERE THINKING OF, AS REFLECTED IN THE DRAFT THAT WAS GIVEN TO US A FEW HOURS AGO?

ANSWER: THE US PLAN, IF YOU READ IT CAREFULLY, WAS NEVER A PLAN FOR LITERAL, UNTHINKING, BLIND AUTOMATICITY -

THAT WAS NEVER PROPOSED BY US. OUR PLAN WAS CHARACTERISED AS THAT, AND WE HAVE SAID THAT IF THAT IS WHAT IS WORRYING PEOPLE (WE SAID THIS IN JULY) WE ARE WILLING TO GIVE THAT - AND IF WE CAN GET SOMETHING FOR IT, THAT'S EVEN BETTER\* BUT NOBODY DID ON THAT. SO IT WAS NEVER A PLAN FOR LITARAL AUTOMATICITY. WHAT IS INVOLVED HOWEVER, IS IN A SENSE, THE AMOUNT OF WEIGHT THAT GOES WITH AN OBJECTIVE INDICATOR AND THE AMOUNT OF SELF-PROPELLED DRIVE THERE IS IN THE APPLICATION OF PRESSURES, AND IT IS IN THIS AREA THAT THE DEGREE OF BACKBONE IN THE ADJUSTMENT PROCESS WILL BE ESTABLISHED, AND THAT IS WHAT WE HAVE BEEN ARGUING ABOUT AND THAT IS WHAT IS NOT FULLY RESOLVED, BUT HAS BEEN DISCUSSED ENOUGH SO THAT, AT LEAST, I WOULD FEEL, IF WE CAN WORK OUT OTHER THINGS APPROPRIATELY, WE CAN COME BACK TO THAT AND I BELIEVE THAT WE CAN PROBABLY SETTLE IT. I BELIVE ALSO, IT IS A MISTAKE - AND WE TRY TO CHECK OURSELVES ON THIS - AS WE GO ALONG ALL THE TIME - IT IS A GREAT MISTAKE TO THINK OF THIS DEVELOPMENT OF A NEW MONETARY SYSTEM, AS A KIND OF GAME WITH WINNERS AND LOSERS, BECAUSE THIS IS NOT THE NATURE OF THIS. WHAT WE HAVE TO HAVE AT THE END IS A COHERENT SYSTEM IN WHICH THE PARTS ARE RELATED TO EACH OTHER, AND WHICH WORKS. YOU CAN'T TAKE ONE PART FROM OVER HERE AND ANOTHER PART FROM OVER HERE AND ANOTHER PART FROM OVER THERE AND PUT THEM TOGETHER SO THAT YOU'VE GOT SOMETHING FROM EVERYBODY AND EXPECT THAT IT WILL WORK. AT UNCLASSIFIED

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SOME POINT, IT HAS TO BE MADE COHERENT AND I THINK IT IS AN AREA, AS THE FIELD OF TRADE IS AN AREA, WHERE IF IT WORKS, EVERYONE WILL GAIN, SO THIS IS NOT A GAME OF WINNERS AND LOSERS, IT'S BASICALLY, A GAME OF WINNERS AND I THINK IF WE CAN APPROACH IT IN THAT SPIRIT - AND I BELIVEVE IN THE DISCUSSIONS OF THE COMMITTEE OF TWENTY, THEY HAVE GONE VERY WELL ON THOSE LINES - AND IT IS THAT FACT AND THE GENUINE SPIRIT OF GIVE AND TAKE IN THE DISCUSSIONS, THAT LEADS ME TO THINK THAT WE CAN COME BACK TO AN ISSUE LIKE THIS AND WORK IT OUT.

QUESTION: HAVE YOU ANY COMMENTS ON THE SUGGESTION MADE THIS MORNING FOR A GRADUAL MOVE TOWARDS INTERVENTION TO DEFEND AN INTERNATIONALLY AGREED SET OF EXCHANGE RATES IN ADVANCE OF A FULLY REFORMED (INAUDIBLE) SYSTEM?

ANSWER: I THINK THAT THE SYSTEM THAT WE NOW HAVE IN PLACE, IS WORKING PRETTY WELL AS A TRANSITION

SYSTEM, AND FROM THE STANDPOINT OF THE US,  
WE BELIEVE THAT THE DOLLAR IS NOW UNDER-VALUED  
AND WE WOULD LIKE TO SEE IT GAIN IN VALUE.  
HOWEVER, WE DO NOT THINK THAT THE WAY TO DO  
THAT IS TO, SO TO SPEAK, RE-PEG IT AT SOME  
DIFFERENT RATE AND THEN DEFEND IT - WE THINK  
THAT IS A LOSING PROPOSITION - AND I WOULD  
HAVE HOPED THAT EVERYONE WOULD HAVE LEARNED  
THAT. WE HAVE DEVELOPED, AS YOU KNOW, A  
PATTERN OF INTERVENTION THAT HAS US IN AND OUT  
OF THE MARKET, AND IT IS A PROCESS BY WHICH  
WE CAN GIVE SOME BODY TO THE MARKET WHEN WE  
FEEL IT NEEDS IT TO MAINTAIN ORDER, AND WE FEEL  
IT IS A GOOD PATTERN. I DON'T THINK WE WILL  
CHANGE FROM THAT IN THIS PERIOD BETWEEN NOW  
AND NEXT AUGUST, WHEN WE HOPE TO HAVE SOME NEW  
AGREED PRINCIPLES.  
QUESTION: CURRENT APPRECIATION AGAINST ALL OF THE 11  
LEADING CURRENCIES AGAINST DOLLARS IN STANDARD  
PARITY IS 16.7 PERCENT. WOULD YOU CONSIDER IF WE  
WERE TO GO TO ABOUT 11.10 PERCENT THAT THAT WOULD BE  
ABOUT THE PROPER PLACE FOR THE DOLLAR TO GO BACK?  
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ANSWER: I DON'T WANT TO TRY TO, IN A SENSE, PEG IT  
VERBALLY OR PROCEDURALLY. OF COURSE, PEOPLE  
LOOK AT THE DOLLAR IN TERMS OF EUROPEAN  
CURRENCIES FOR SOME REASON, BUT THERE IS AN  
INTERESTING CALCULATION THAT I'M SURE YOU'RE  
FAMILIAR WITH, WHICH CALCULATES THE EXCHANGE

NOTE BY OC/T: NOT PASSED ALL DIPLOMATIC AND CONSULAR POSTS.

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OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20 IGA-02

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O 260500Z SEP 73

FM AMEMBASSY NAIROBI

TO DEPARTMENT OF THE TREASURY IMMEDIATE

INFO SECSTATE WASHDC IMMEDIATE 3726

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SHUTO 14

VALUE OF THE DOLLAR ON A TRADE WEIGHTED BASIS.  
OF COURSE, OUR BIGGEST TRADING PARTNERS ARE  
CANADA AND JAPAN, AND ON A TRADE WEIGHTED BASIS,  
SINCE OUR EXCHANGE POSITION WITH THOSE HAS BEEN  
QUITE STABLE SINCE THE SECOND DEVALUATION, YOU  
DON'T SEE QUITE THE SWINGS YOU DO WITH THE  
EUROPEAN CURRENCIES.

QUESTION: ON PAGE 7 OF YOUR SPEECH, YOU SAY THAT WHAT IS  
LACKING IS A DEEP SENSE OF COMMITMENT TO AN  
AGREED INTERNATIONAL CONDUCT. ON PAGE 8,  
YOU SAY YOU HAVE BEEN ENCOURAGED BY THE WIDE-  
SPREAD RECOGNITION OF THE NEED TO EQUIP THE  
IMF TO PLAY ITS FULL ROLE AT THE CENTRE OF THE  
SYSTEM. I CAN'T RECONCILE THOSE TWO POINTS.

ANSWER: ALLOW ME TO HELP YOU TO DO THAT. WE HAVE A  
SYSTEM THAT HAS EVOLVED IN THE FACE OF VARIOUS  
PRESSURES AND TOOK ITS SHAPE IN THE SECOND  
PARIS MEETING, AND THEN, EVOLVED SOME MORE WITH  
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THE PATTERN OF INTERVENTION THAT I HAVE MENTIONED.  
I THINK IN THE PORTION OF THE TALK YOU WERE  
REFERRING TO, I HAD BEEN DISCUSSING THIS PRESENT  
SITUATION AND IT IS TOLERABLE - IT IS O.K. WE  
BELIEVE. HOWEVER, IT IS NOT THE BASIS FOR  
LONG TERM OPERATION, SO WE ARE NOT CONTENT TO  
JUST LEAVE THINGS ALONE, BECAUSE IT DOESN'T HAVE  
CONNECTED WITH IT AN EXPLICITLY SET OUT SET OF  
RULES THAT EVERYONE UNDERSTANDS, AND BY WHICH WE  
AGREE WE WILL ABIDE - SO THAT IS A MISSING LINK.  
IN THE DISCUSSIONS OF THE C.20 ABOUT WHAT SHOULD  
BE PUT THERE; THERE HAS BEEN A RECOGNITION ON  
EVERYONE'S PART THAT WE NEED TO HAVE A SOMEHOW  
STRENGTHENED IMF - THERE IS A COMMITMENT TO THAT.  
QUESTION: I'D LIKE TO ASK YOU TO CLARIFY THE UNITED  
STATES' POSITION WITH RESPECT TO CONVERTIBILITY  
AND CONVERSION.

ANSWER: WE SAID IN THE US SPEECH LAST YEAR, THAT UNDER  
THE RIGHT CONDITIONS, WE WERE PREPARED TO GO  
BACK TO CONVERTIBILITY, AND SO WE HAVE MAINTAINED  
THAT POSITION. THERE IS A QUESTION ABOUT  
WHETHER OR NOT, IN ADDITION TO THE MECHANICS OF  
THE CONVERTIBILITY SYSTEM - AND THERE IS

A EUROPEAN PROPOSAL ON THAT - BUT LEAVING THAT TO THE SIDE, THERE IS AN ISSUE ABOUT WHETHER OR NOT CONVERTIBILITY SHOULD BE ON THE BASIS THAT IF YOU PRESENT ME WITH A DOLLAR, I MUST GIVE YOU A RESERVE ASSET - THAT KIND OF CONVERTIBILITY - OR THERE IS ANOTHER KIND WHICH IS, WHETHER YOU WANT TO OR NOT, YOU MUST PRESENT ME WITH THAT DOLLAR, AND WE HAVE FOUND THAT THE FORMER ARRANGEMENT ALLOWED SOMEWHAT MORE ELASTICITY TO THE SYSTEM AND WE HAVE ADVOCATED THAT.

VOLCKER COMMENT: WHAT YOU SAID IS PRECISELY RIGHT - YOU GET IT IN OTHER ISSUES HERE, SUCH AS LIMITING THE SO-CALLED CONVERTIBILITY POINT, OF LIMITING THE ABILITY OF PARTICULAR COUNTRIES THAT MAY BE IN SURPLUS, TO IN EFFECT, HOARD THE AVAILABLE SUPPLY OF RESERVE ASSETS, AND THERE HAVE BEEN OTHER PROPOSALS MADE BY OTHERS, OF A TECHNICAL CHARACTER, TO IMPLEMENT PARTICULAR TYPES OF

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CONVERTIBILITY WHICH ARE CONTROVERSIAL. THE SECRETARY IS CORRECT THAT WE HAVE SAID ALL ALONG THAT WE PRESUME THAT CONVERTIBILITY MEANS THE TYPE OF CONVERTIBILITY THAT HAS BEEN KNOWN ALL ALONG WHEN CONDITIONS ARE READY AND IN THE CONTEXT OF THE WHOLE SYSTEM.

FURTHER: I MIGHT JUST MENTION A POINT THAT'S TRIGGERED COMMENT: BY PAUL'S COMMENT ABOUT PEOPLE WANTING TO ACCUMULATE RESERVES, TO SHOW THE INTER-RELATION OF THAT SUBJECT WITH SDR. IF YOU HAVE WHAT IS CALLED A VERY ROBUST SDR, WHICH PAYS A HIGH RATE OF INTEREST AND MAKES IT VERY DESIRABLE TO HOLD, THEN OUR FEAR IS THAT YOU WILL JUST ENCOURAGE PEOPLE TO RUN PERPETUAL SURPLUSES AND YOU WILL, IN EFFECT, BE REMOVING SOME OF THE BACKBONE FROM THE ADJUSTMENT PROCESS BY THE WAY YOU SET UP THE SDR. I MENTION THAT JUST BY WAY OF ILLUSTRATING JUST HOW CONNECTED ALL THESE THINGS ARE - THERE IS A THREAD RUNS ALL THROUGH, SO THAT IN THE END, AGAIN ONE HAS TO FIND A COHERENT PATTERN THAT FITS TOGETHER RATHER THAN A LITTLE BIT FROM HERE AND A LITTLE BIT FROM THERE.

QUESTION: ON PAGE 3, YOU HAVE SUMMARISED THE BROAD FRAME-  
WORK OF THE NEW SYSTEM - I THINK THERE IS ALSO  
NEAR UNANIMITY ABOUT SDR AND THE DEVELOPMENT  
FINANCE LINK. THE FRANC GROUP, COMMONWEALTH  
FINANCE MINISTERS, BROADLY, THE FRENCH AND  
ITALIAN. SO I DO NOT THINK IT IS A FAIR SUMMARY  
OF THE EMERGING NEW SYSTEM - AND YOU HAVE ALSO  
MENTIONED THAT WE SHALL HAVE TO GO TO LEGISLATORS  
FOR APPROVAL. I DO NOT THINK THAT ANY  
DEVELOPING COUNTRY THAT IS NAMED, WOULD APPROVE

OF ANY NEW SYSTEM WHICH HAS NO LINK WITH SDR  
AND I WOULD LIKE TO ASK YOU WHY UNITED STATES WHICH  
IS ALMOST IN A MINORITY OF ONE, AND PERHAPS,  
GERMANY, HAS BEEN A STUMBLING BLOCK TO THIS  
VERY WORTHWHILE STEP FOR BRIDGING THE GAP  
BETWEEN THE RICH AND THE POOR WORLD.  
ANSWER: IF YOU WILL TURN TO PAGE 11, WE TAKE THAT UP.  
I AGREE WITH YOU THAT MOST PEOPLE IN C.20 HAVE  
SPOKEN IN FAVOUR OF THE LINK AND (YOU'RE FROM  
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INDIA?) YOUR DELEGATE HAS SAID WHAT YOU SAID,  
THAT UNLESS HE GETS WHAT HE WANTS, THERE WILL  
BE NO AGREEMENT. I DON'T LIKE TO SPEAK ON  
ABSOLUTES LIKE THAT, BUT OUR POSITION IS  
OPPOSED TO THE LINK, AND WE HAVE STATED THAT  
EXPLICITLY ON MANY OCCASIONS, AND WE STATE IT  
AGAIN BEFORE THIS AUDIENCE, THAT WILL NOT BE  
PARTICULARLY FRIENDLY TO THAT POINT OF VIEW,  
I'M SURE, BUT NEVERTHELESS, WE FEEL WE SHOULD  
SAY WHAT WE THINK AND - CERTAINLY BE WILLING  
TO EXAMINE ALWAYS - BUT WE HAVE EXAMINED IT AND  
WE DON'T THINK ITS A GOOD IDEA., FUNDAMENTALLY,  
IS THAT WE THINK IT WILL MAKE FOR REAL TROUBLE  
IN THE MONETARY SYSTEM, AND WE THINK ITS A HARD  
JOB - AND GOODNESS KNOWS THAT PROBLEMS WE'VE SEEN  
IN EXCHANGE MARKETS SHOW THAT - ITS A HARD JOB  
TO GET IT ALL TOGETHER, AND MAKE A MONETARY  
SYSTEM WORK AND TO GET A NEW PAPER, INTERNATIONAL  
CURRENCY REALLY OFF THE GROUND AND ACCEPTED -  
THATS A HARD JOB IN AND OF ITSELF. TO LOAD ON  
TO THAT THE TASK OF DISTRIBUTING RESOURCES FROM  
THE DEVELOPED TO THE DEVELOPING COUNTRIES, BY  
VIRTUE OF THE ISSUANCE OF THE SDR, WE FEEL, WOULD  
START THE SYSTEM IN A VERY QUESTIONABLE WAY AND  
IT MIGHT BRING THE WHOLE THING DOWN BEFORE IT  
COULD GET GOING AS A MONETARY SYTEM. AND SO,  
BASICALLY, FOR THAT REASON, WE HAVE OPPOSED THE  
LINK AND WE HAVE SAID THAT DEVELOPMENT ASSISTANCE,  
OFFICIAL AID, SHOULD COME THROUGH THE REGULAR  
PROCESSES OF BEING VOTED BY LEGISLATURES AND SO  
ON. THAT IS OUR POSITION.  
QUESTION: WILL YOU AGREE TO RE-ALLOCATION OF QUOTAS.  
TODAY, UNITED STATES ALONE HAS 26 PERCENT OF QUOTAS,  
ALL LESS DEVELOPED COUNTRIES TOGETHER HAVE ONLY  
26 PERCENT. IF YOU AGREE TO THE RE-ALLOCATION OF  
QUOTAS, THEN ALSO SDR WOULD BE MORE MEANINGFUL.  
TODAY, THE LION'S SHARE OF SDR, AS THE PRESENT  
ARRANGEMENT IS, TENDS TO YOUR CREDIT. BUT NOW,  
WITH THE RE-ORGANISATION OF IMF, WILL YOU REALLY  
AGREE TO ACCEPT SUCH RE-ALLOCATIONS THAT THE  
LESS DEVELOPED COUNTRIES CAN GET AT LEAST AS MUCH

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AS 50 PERCENT. THE LESS DEVELOPED COUNTRIES TODAY,  
HAVE ONLY 26 PERCENT. FROM 26 PERCENT WILL YOU RE-ALLOCATE  
TO 50 PERCENT.

ANSWER: LET ME SAY FIRST OF ALL THAT I DON'T THINK YOU'RE  
CORRECT IN THE US PERCENTAGES - WE CAN LOOK THAT  
UP. BUT I THINK YOUR QUESTION ILLUSTRATES THE  
PROBLEM I WAS TRYING TO HIGHLIGHT, THAT IS, WHAT  
IS THE PURPOSE OF THE SDR AND HOW DO YOU RELATE  
THAT PURPOSE TO THE WAY IN WHICH THE SDR'S ARE  
PASSED AROUND. THE PURPOSE OF IT, PRESUMABLY,  
IS TO BE AN EFFECTIVE AND TRUSTED NUMERAIRE FOR  
A MONETARY SYSTEM, A TRADING AND INVESTMENT  
SYSTEM. SO I THINK THAT IF THAT IS THE PURPOSE

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ACTION EB-11

INFO OCT-01 AF-10 ISO-00 SSO-00 CCO-00 INRE-00 NSCE-00

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10

PA-03 RSC-01 PRS-01 SPC-03 SS-15 ACDA-19 IO-13 AID-20

COME-00 FRB-02 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 AGR-20 IGA-02 STR-08 CEA-02 ARA-16 EA-11

EUR-25 NEA-10 DRC-01 /256 W  
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O 260500Z SEP 73

FM AMEMBASSY NAIROBI

TO DEPARTMENT OF THE TREASURY IMMEDIATE

INFO SECSTATE WASHDC IMMEDIATE 3727

USINFO WASHDC IMMEDIATE

UNCLAS FINAL SECTION 4 OF 4 NAIROBI 6498

SHUTO 14

SOMEHOW OR OTHER IT IS PROPER TO RELATE SDR  
ALLOCATION TO THE VOLUME OF TRADE AND ECONOMIC  
ACTIVITY GENERATED BY VARIOUS COUNTRIES.  
THAT IS AN ALLOCATION SCHEME THAT IS RELATED  
TO THE PURPOSE FOR WHICH THIS NEW MONEY IS  
CREATED. NOW I BELIEVE THE FACTS ARE THAT

TO THE EXTENT THAT THAT IS THE BASIS FOR SDR ALLOCATIONS, AND IT WAS, BASICALLY, WHEN IT WAS CREATED, THE DEVELOPING COUNTRIES HAVE A FAR DISPROPORTIONATE SHARE JUST NOW. BUT GOING BACK TO YOUR QUESTION ABOUT THE LINK - WHETHER WHAT WE HAVE IS A FAIR SUMMARY OR NOT, I DON'T KNOW. CERTAINLY, I AGREE WITH YOU THAT MOST COUNTRIES SEEM TO HAVE SUPPORTED THE LINK, BUT WE HAVE BEEN VERY CLEAR, UNAMBIGUOUS, NO-ONE CAN MISQUOTE US EVEN, ON OUR ATTITUDE ON THE LINK.

QUESTION: GOING BACK TO IDA, IF IT TURNS OUT THAT THEY RUN UNCLASSIFIED

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OUT OF FUNDS ON JULY 31ST, AND IT LOOKS LIKE MOST GOVERNMENTS, AS WITH PREVIOUS REPLENISHMENTS, ARE GOING TO COME THROUGH, BUT ITS GOING TO TAKE MORE TIME, INCLUDING THE US GOVERNMENT, TO ACTUALLY GET APPROVAL, WOULD YOU SUPPORT AND WOULD YOU LOBBY FOR AN INTERIM ALLOCATION FOR IDA TO KEEP IT GOING.

ANSWER: WE WILL EXAMINE AND WE ARE EXAMINING WAYS OF MEETING THE PROBLEM, AND THERE ARE VARIOUS WAYS, AND I THINK THIS IS THE TYPE OF QUESTION WHERE THERE NEEDS TO BE DISCUSSION WITHIN THE BANK GROUP AND ALSO WITH OUR CONGRESS ABOUT WHAT WE ARE GOING TO DO AND WHAT THEY MAY PREFER ABOUT VARIOUS ALTERNATIVE ARRANGEMENTS, SO WE WILL WANT TO CONSULT WITH THEM RATHER THAN TO SPONSOR ANY ONE METHOD OF GOING ABOUT SOLVING THIS PROBLEM.

QUESTION: IN CONNECTION WITH YOUR REFERENCE TO THE IMPROVED US TRADE POSITION, AND THE IMPORTANCE OF THIS IN IMPLEMENTING MONETARY REFORM, I WOULD LIKE TO ASK WHAT IS THE RELATION OF THE TRADE POSITION TO THE DECISION MAKING PROCESS IN REACHING MONETARY REFORM?

ANSWER: THE RELATION IS PRIMARILY IN TERMS OF THE QUESTION RAISED ABOUT THE DOLLAR BALANCES AND IF WE GO INTO A SYSTEM WITH BIG OUTSTANDING DOLLAR BALANCES AND MORE BEING CREATED, WE KNOW WE ARE NOT IN EQUILIBRIUM TO BEGIN WITH, AND THAT'S NOT A VERY GOOD SITUATION TO START IN ON, SO I THINK THAT IS BASICALLY, THE RELATIONSHIP.

QUESTION: DOES THAT MEAN THAT A DECISION WOULD HAVE TO WAIT UNTIL WE ARE FIRMLY IN BALANCE ON THIS PACKAGE THATS DUE TO COME AT THE END OF NEXT JULY?

ANSWER: ITS CERTAINLY STRATEGIC THAT THE US SHOULD NOT BE RUNNING A BIG DEFICIT, AS IT HAS IN THE PAST, AND IF WE ADOPTED A NEW SYSTEM, AND RIGHT AWAY WITH THAT NEW SYSTEM, WE CONTINUED THE SAME TRENDS, WITH SOME BIG SURPLUSES, AND THE US WITH A BIG

RESIDEUAL DEFICIT, THE SYSTEM WOULD BREAK DOWN.  
SO THAT WOULD BE THE WORST THING IN THE WORLD  
TO HAVE HAPPEN. WHAT WE WANT IS A SYSTEM  
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THAT WILL WORK AND WILL GET OFF THE GROUND.  
NOW I BELIEVE THAT THE US POSITION IS GETTING  
BETTER, AND IS GETTING BETTER RAPIDLY - I  
WOULD HAVE TO SAY HOWEVER, THAT WE HAVE THOUGHT  
THAT IN THE PAST, BUT IT HASN'T COME OUT THAT  
WAY, SO THE FACTS WILL HAVE TO COME IN.  
QUESTION: EXPLAIN WHAT YOU SAID ON PAGE 23 - "WE LOOK  
TO OTHERS TO HELP MAINTAIN THE FLOW OF ENERGY,  
SO LONG AS THEIR OWN LEGITIMATE NEEDS AND  
ASPIRATIONS ARE FAIRLY RECOGNISED." COULD  
YOU EXPLAIN WHAT YOU MEAN BY THIS LAST SENTENCE.  
ANSWER: WHAT WE MEAN IS THAT OBVIOUSLY, THE WORLD NEEDS  
A FLOW OF OIL FROM THE OIL PRODUCING COUNTRIES  
AND QUESTIONS HAVE BEEN RAISED ABOUT THAT.  
WE FEEL THAT OIL SHOULD CONTINUE TO FLOW, WE  
ALSO RECOGNISE THAT THE ASPIRATIONS AND NEEDS  
OF THOSE COUNTRIES NEED TO BE FULLY RECOGNISED  
IN THIS PROCESS, AND THAT GOES NOT ONLY TO WHAT THEY  
MAY WANT TO HAVE HAPPEN IN THEIR OWN COUNTRIES,  
AND WHAT HELP MAY BE GIVEN, BUT ALSO IN THE  
WILLINGNESS TO RECEIVE INVESTMENT FROM THEM  
IN PROFITABLE VENTURES. IN OTHER WORDS, I  
DON'T THINK THE OIL CONSUMING COUNTRIES CAN  
SAY TO THE OIL PRODUCING COUNTRIES "YOU PRODUCE  
ALL THIS OIL, BUT WE WONT TAKE YOUR INVESTMENT.  
THOSE THINGS DON'T FIT TOGETHER - WE HAVE TO  
WELCOME THIS INVESTMENT.  
QUESTION: YOUR ANSWER TO THE PREVIOUS QUESTION. DO I  
TAKE IT FROM THAT, THAT MONETARY REFORMS WILL  
HAVE TO WAIT UNTIL THE US DEFICITS ARE IN  
CONTROL.  
ANSWER: YES.  
QUESTION: SHOULD WE EXPECT THAT YOU MIGHT CHANGE YOUR  
MIND ABOUT YOUR PROMISE TO REMOVE EXISTING  
CONTROLS (REMAINDER INAUDIBLE).  
ANSWER: WE HAVE SAID THAT WE INTEND TO REMOVE  
THOSE CONTROLS BY THE END OF 1974 AND IT IS OUR  
OBJECTIVE TO DO SO AND WE THINK IT WILL BE  
CONSTRUCTIVE OVER ANY PERIOD OF TIME TO DO THAT.  
THE TIMING OF IT IS IMPORTANT. I DON'T WANT  
YOU TO RUN OFF WITH ANY MISINTERPRETATION OF MY  
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UNAMBIGUOUS ANSWER TO YOUR PREVIOUS QUESTION. THE  
PINT OF IT IS, AND I BELIEVE THAT THIS IS A

WIDELY SHARED JUDGEMENT, EVEN YOU SEEM TO SHARE IT, THAT US BALANCE OF PAYMENTS SITUATION IS GETTING INTO PRETTY GOOD SHAPE, AND THAT IS ONE REASON WHY IT WAS FELT BY US AND OTHERS, THAT WE HAVE A REASONABLE ENOUGH CHANCE TO WIND THINGS UP - THAT WE SHOULD SET A DATE AND TRY TO MAKE THE DECISIONS THAT ARE NECESSARY, TO TRY TO BRING ABOUT REFORM.

QUESTION: IS IT TRUE THAT ARABIC NATIONS HAVE APPROXIMATELY 30 BILLION DOLLARS INVESTED IN THE DOLLAR MARKET?

ANSWER: I DON'T KNOW THE ANSWER TO THAT QUESTION.

QUESTION: IS THE FACT THAT WE HAVE NOT YET REVERSED THE BALANCE OF PAYMENTS, THE PRINCIPAL REASON WHY AGREEMENT ON REFORM HAS BEEN SO DIFFICULT?

ANSWER: NO. THE DISCUSSION OF REFORM HAS BEEN ON AN INTELLECTUAL PLANE, SO TO SPEAK, ABOUT HOW THIS WILL WORK AND SO ON, AND I THINK THERE HAS BEEN A GENERAL RECOGNITION BY EVERYBODY, THAT A NEW SYSTEM UNDER WHICH THE LARGER SURPLUSES AND SUSTAINED SURPLUSES AND DEFICITS THAT BROKE THE OLD SYSTEM DOWN, JUST CONTUNUES - THAT SUCH A SYSTEM WOULDN'T WORK. EVERYBODY RECOGNISES THAT.

QUESTION: WHAT RATE OF INTEREST ON REFORMED SDR'S DO YOU HAVE IN MIND?

ANSWER: THIS IS NOT MY GROUP TO NEGOTIATE WITH - WE'LL NEGOTIATE IN THE GROUP FORNTWENTY.

QUESTION: IN NEGOTIATING WITH THE GROUP OF TWENTY, ARE THE REPORTS THAT CIRCULATE, COMING FROM THE EUROPEAN SIDE, THAT THE US HAS TOUGHENED ITS NEGOTIATING STANCE, CORRECT, AFTER THE JULY MEETING?

ANSWER: NO. AT LEAST, OUR INTERPRETATION IS THAT AFTER THE JULY MEETING, A REPORT WAS SUBMITTED BY MR. MORSE, WHICH WE THOUGHT WAS NOT ALTOGETHER SATISFACTORY, BUT A REASONABLE REFLECTION OF THE JULY MEETING, AND IT WAS THAT REPORT WHICH THE EUROPEANS FOUND SO OBJECTIONABLE AND WE DIDN'T AGREE WITH THEM ABOUT THAT. THE UNCLASSIFIED

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IMPORTANT THING IS THAT I THINK WE HAVE THOSE SUBJECTS IN A STATE WHERE WITH SOME FURTHER WORK ON OPERATIONAL MATTERS THAT COVER A VARIETY OF WAYS OF DOING THE ADJUSTMENT PROCESS AND CONVERTIBILITY, WE CAN COME BACK TO THAT, TYING TO LINK INTO IT, THE CHARACTER OF THE SDR AND SOME OF THESE OTHER QUESTIONS THAT HAVE BEEN RAISED TODAY. WITH GOOD SUCCESS ON THAT, WE CAN COME BACK TO THAT AND RESOLVE THOSE ISSUES, AND YOU REALLY ARE NOT GOING TO AGREE ON ANYTHING ULTIMATELY,

UNTIL YOU CAN AGREE ON EVERYTHING - NOT THAT  
THERE AREN'T PARTS THAT CAN BE IMPLEMENTED -  
BUT I THINK THAT FINALLY, ITS GOT TO BE A  
COHERENT WHOLE THAT FITS TOGETHER.  
QUESTION: SOME PEOPLE SUGGESTED THAT THIS EFFORT TO  
PUT TOGETHER AN ENORMOUSLY COMPLEX PARCKAGE  
OR, AS SOME PEOPLE SAID, TO RE-CONSTITUTE  
BRETTON WOODS, IS REALLY HEADING OFF IN A  
WRONG AND UNNECESSARY DIRECTION. THAT WITH  
IMPERFECTIONS, THE EXISTING ARRANGEMENTS  
AREN'T WORKING ALL THAT BAD, AND THAT THE US  
AT LEAST, OUGHT TO CONCENTRATE ON RULES FOR  
FLOATING RATHER THAN A MORE OR LESS FIXED  
SYSTEM, WITH RULES FOR FLEXIBILITY. HOW  
DO YOU RE-ACT TO THAT.?

ANSWER: WE'VE ANSWERED THAT. THAT IS, THE PRESENT  
SITUATION IS CERTAINLY WORKABLE. THE NEW  
SYSTEM DOES ENVISAGE, AT LEAST AS WE SEE IT,  
CLEARLY, FLOATING AND AS THE QUOTE GOES "IN  
PARTICULAR CIRCUMSTANCES" AND WE WONT ARGUE  
ABOUT EXACTLY WHAT THAT MEANS, SO IF THERE ARE  
PARTICULAR CIRCUMSTANCES IN WHICH YOU ARE  
FOING TO FLOAT, YOU SHOULD HAVE SOME RULES  
KNOWN ABOUT HOW THAT WILL WORK, AND SO WE BELIEVE  
THAT. AT THE SAME TIME, WE BELIEVE THAT  
WE WILL ALL BE BETTER OFF IF WE CAN PUT  
TOGETHER A BETTER UNDERSTOOD SYSTEM ALONG  
THE LINES WE HAVE SUGGESTED AND WHICH WE  
ARE WORKING ON.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 10 MAY 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 26 SEP 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973NAIROB06498  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** n/a  
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**Handling Restrictions:** n/a  
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**Line Count:** 848  
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**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 16  
**Previous Channel Indicators:**  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** willialc  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 27 DEC 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <27-Dec-2001 by maustmc>; APPROVED <15 FEB 2002 by willialc>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SEPTEMBER 24 PRESS BRIEFING BY SECRETARY SHULTZ THERE FOLLOWS THE TRANSCRIPT OF A PRESS CONFERENCE  
BY SECRETARY SHULTZ  
**TAGS:** OVIP, (SHULTZ, GEORGE)  
**To:** DEPARTMENT OF THE TREASURY INFO STATE  
USINFO  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005